

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

June 30, 2014

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

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Independent Auditors' Report

Trustees
The Catholic Diocese of Jefferson City Fund
Jefferson City, Missouri

We have audited the accompanying financial statements of The Catholic Diocese of Jefferson City Fund (a Missouri corporation, not-for-profit), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Diocese of Jefferson City Fund as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kerker, Eck + Bruestel LLP

St. Louis, Missouri
November 21, 2014

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

STATEMENTS OF FINANCIAL POSITION

June 30, 2014

Assets	
Cash and cash equivalents	\$ 668,428
Investments	
Depositor's fund	19,349,467
Pooled investments	35,783,930
Accrued interest and dividends	175,647
Loan program receivables	<u>5,460,738</u>
 Total Assets	 <u><u>\$ 61,438,210</u></u>
 Liabilities	
Deposits from parishes and others	\$ 23,381,371
Pooled investment funds held for parishes and others	35,874,402
Accounts payable and accrued expenses	<u>141,169</u>
 Total Liabilities	 59,396,942
 Net Assets	
Unrestricted net assets	<u>2,041,268</u>
 Total Liabilities and Net Assets	 <u><u>\$ 61,438,210</u></u>

See accompanying notes to the financial statements.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Revenues

Investment income - Depositor's fund	
Dividend and interest income	\$ 589,791
Realized gain on investments	180,417
Unrealized gain on investments	808,675
Investment management fees	<u>(46,403)</u>
 Total Investment Income - Depositor's fund	 1,532,480
Interest income, loans	186,914
Miscellaneous income	<u>3,615</u>
 Total Revenues	 <u>1,723,009</u>

Expenses

Program Services	
Interest on depositors' fund	577,898
Payments to affiliated organizations	300,000
Support Services	
Accounting and auditing services	52,000
Miscellaneous	<u>1,600</u>
 Total Expenses	 <u>931,498</u>
 Change in Net Assets	 791,511
 Net Assets at July 1, 2013	 <u>1,249,757</u>
 Net Assets at June 30, 2014	 <u>\$ 2,041,268</u>

See accompanying notes to the financial statements.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND

Jefferson City, Missouri

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

Year Ended June 30, 2014

Cash Flows from Operating Activities

Change in net assets	\$ 791,511
Adjustments to reconcile change in net assets to net cash used in operating activities	
Net unrealized and realized gains on investments	(989,092)
Increase in accrued interest and dividends	(4,899)
Increase in accounts payable and accrued expenses	15,208
Net Cash Used in Operating Activities	<u>(187,272)</u>

Cash Flows from Investing Activities

Proceeds from sale of investments	6,901,488
Purchase of investments	(7,661,189)
Loans to participants	(2,655,000)
Principal collections on loans to participants	1,060,191
Net Cash Used in Investing Activities	<u>(2,354,510)</u>

Cash Flows from Financing Activities

Additions to deposits from parishes and others	7,229,298
Withdraws from deposits from parishes and others	(4,794,368)
Additions to funds held for others	622,397
Withdraws from funds held for others	(1,509,397)
Investment gain on pooled funds held for others	1,140,883
Net Cash provided by Financing Activities	<u>2,688,813</u>

Net Change in Cash and Cash Equivalents	147,031
Cash and Cash Equivalents at July 1, 2013	<u>521,397</u>
Cash and Cash Equivalents at June 30, 2014	<u>\$ 668,428</u>

See accompanying notes to the financial statements.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The Catholic Diocese of Jefferson City Fund (the Fund) is an irrevocable charitable trust established July 1, 2005 to hold and invest contributions and deposits from the grantor, the Diocese of Jefferson City, parishes of the Diocese, their affiliated organizations, and Diocese organizations, all of which are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Fund also makes loans to the participants for their charitable purposes.

Basis of Accounting

The books and records of the Fund are maintained and the financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Fund is required to report information regarding its net assets according to three classes: unrestricted, temporarily restricted and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions. As of June 30, 2014, the Fund had no temporarily or permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash balances held in bank accounts and short term investments with an original maturity no longer than three months. Deposit accounts designated for long-term purposes or received with donor-imposed restrictions limiting the use to long-term purposes are not considered cash and cash equivalents. Money market funds held in investment accounts are reported as investments.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes

The Fund is exempt from federal income tax as part of the Catholic Church under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, due to religious activities, the Fund is not required to file an IRS form 990. However, income from certain activities not directly related to The Fund's exempt purpose is subject to taxation as unrelated business income. The Fund has no unrelated business income for the year ended June 30, 2014.

Investments

Investments are reported at fair value. Fair value is determined using Level 1 inputs for common stocks, equity mutual funds, fixed income mutual funds and alternative mutual funds, which are quoted market prices for identical securities in active markets. Fair value is determined using Level 2 inputs for cash and cash equivalents, corporate bonds, municipal bonds and U.S. government agency securities, which are quoted prices for similar securities in active markets. Level 2 inputs were derived using the market approach, which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities or a group of assets and liabilities. The fair value prices were provided by investment broker statements as of June 30, 2014.

Loan Program Receivables

Loans receivable are deemed to be fully collectible by management; therefore no allowance for doubtful accounts has been established.

Pooled Investment Funds Held for Parishes and Others

The Fund is holding investments for others as an agent. Since the Fund has little or no discretion in determining how the investment income, unrealized gains and losses, and realized gains and losses resulting from those investments are used, they report these investment activities as agency transactions, and, therefore, as changes in assets and liabilities rather than changes in net assets.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Subsequent Events

The Fund evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through November 21, 2014, which is the date the financial statements were available to be issued.

NOTE 2 - RELATED PARTY

The Catholic Diocese of Jefferson City Fund is related through the Bishop of the Diocese of Jefferson City to the following entities: The Catholic Diocese of Jefferson City – Chancery Office; Priests' Mutual Benefit Society; Diocesan Excellence in Education Fund, Inc.; The Jefferson City Diocesan Chancery Building Fund, Inc.; The Diocese of Jefferson City Parish Development Corporation; The Diocese of Jefferson City Jubilee Retirement Trust Fund; the Fr. Augustine Tolton Regional Catholic High School in Columbia; Helias Catholic High School in Jefferson City; Catholic Charities of Central and Northern Missouri; Diocese of Jefferson City Real Estate Corporation, Inc.; and all parishes under the Bishop. The Fund maintains separate books and records. All financial information for the above entities is presented separately and is excluded from this report.

Due to the inherent nature and purpose of the Fund, as discussed in Note 1, all transactions of the Fund, with the exception of transactions with the investment management company, are considered related party transactions.

As of June 30, 2014, The Fund's accounts payable consisted of interest payable to the following:

The Catholic Diocese of Jefferson City Parishes	\$ 136,836
The Catholic Diocese of Jefferson City - Chancery Office	<u>4,333</u>
	<u><u>\$ 141,169</u></u>

Parish Deposits and Loans

The Catholic Diocese of Jefferson City Fund encourages parishes and other diocesan entities to deposit any excess funds (funds in excess of three months operating needs) in the Fund. Participants in the deposit and loan program can receive their original investment plus accrued and paid earnings at maturity. The Fund also makes low interest loans to parishes and other diocesan entities for approved projects. Current interest rates for deposits as of June 30, 2014 vary from 1.75% to 3.75% depending on the term of the deposit. The interest rate on loans as of June 30, 2014 was 4.25%. Both deposit and loan rates are adjusted periodically to stay competitive with market rates. Loans are not issued in excess of 15 years. There are no penalties for early repayment of loan balances.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - RELATED PARTY (Cont'd)

The Fund holds the following deposits from parishes and others on account as of June 30, 2014:

The Catholic Diocese of Jefferson City - Chancery Office	\$ 2,307,754
Priests' Mutual Benefit Society of the Diocese of Jefferson City	941,454
Diocesan Excellence in Education Fund, Inc.	9,893
The Diocese of Jefferson City Jubilee Retirement Trust Fund	196,107
Fr. Augustine Tolton Regional Catholic High School	645,996
Helias Catholic High School in Jefferson City	65
Catholic Charities of Central and Northern Missouri	173,117
Diocese of Jefferson City Parish Development Corporation	395,517
The Catholic Diocese of Jefferson City Parishes and Others	<u>18,711,468</u>
	<u><u>\$ 23,381,371</u></u>

As of June 30, 2014, the Fund holds pooled investment funds for parishes and others in its name for:

The Catholic Diocese of Jefferson City - Chancery Office	\$ 2,118,485
Priests' Mutual Benefit Society of the Diocese of Jefferson City	8,997,414
Diocesan Excellence in Education Fund, Inc.	11,674,256
Diocese of Jefferson City Jubilee Retirement Trust Fund	11,569,827
Parish Endowment Funds	1,410,117
Helias Catholic High School in Jefferson City	13,831
Unallocated Accrued Investment Income	<u>90,472</u>
	<u><u>\$ 35,874,402</u></u>

The Fund holds the following loan receivables on account as of June 30, 2014:

The Catholic Diocese of Jefferson City Parishes	\$ 3,960,738
The Diocese of Jefferson City Parish Development Corporation	<u>1,500,000</u>
	<u><u>\$ 5,460,738</u></u>

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – RELATED PARTY (Cont'd)

The summary breakdown of deposits and loans as of June 30, 2014 is as follows:

Deposits from Parishes and Others; due within 1 year	\$ 15,652,517
Deposits from Parishes and Others; due 1 - 5 years	7,421,528
Deposits from Parishes and Others; due > 5 years	<u>307,326</u>
Total Deposits from Parishes and Others	<u>23,381,371</u>
Loans to Parishes; due within 1 year	(368,984)
Loans to Parishes; due 1 - 5 years	(3,057,942)
Loans to Parishes; due > 5 years	<u>(2,033,812)</u>
Total Loans to Parishes	<u>(5,460,738)</u>
Net Liability to Parishes and Others	<u><u>\$ 17,920,633</u></u>

The Fund paid \$52,000 for accounting services provided by The Catholic Diocese of Jefferson City – Chancery Office on behalf of the Fund for the year ended June 30, 2014. During the fiscal year ended June 30, 2014, the Fund received \$1,728,524 in deposits and had withdrawals of \$1,622,154 from The Catholic Diocese of Jefferson City – Chancery Office and made payments for interest and realized gains in the amount of \$198,724.

The Fund also extended a line of credit to The Catholic Diocese of Jefferson City – Chancery Office in the amount of \$350,000. Interest received from The Catholic Diocese of Jefferson City – Chancery Office on funds advanced was \$4,589. As of June 30, 2014, the full \$350,000 line of credit was available.

The Fund periodically makes grants to The Catholic Diocese of Jefferson City – Chancery Office from accumulated net assets to help fund the operations of the Diocese. The amount contributed to the Diocese for the year ended June 30, 2014 was \$300,000 and is reported as a program expense on the *Statement of Activities*.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – CONCENTRATION OF CREDIT RISK

Cash and Investments

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the financial statements.

The Fund places its cash and cash equivalents with credit-worthy high quality financial institutions. Balances on accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, cash balances may exceed FDIC insurance limits. The Fund has not experienced any losses in its accounts with the financial institutions and believes it is not exposed to any significant credit risk.

Loan Program Receivables

Balances for five of the seventeen loans receivable represent approximately 71% of the total loans receivable balance.

Deposits from Parishes and Others

Five of the 125 entities that participate in the deposit program represent approximately 27% of the total deposits payable balance. Also, three of the eleven entities participating in the pooled investments represent 90% of the pooled investment funds held for parishes and others balance.

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 – FAIR VALUE MEASUREMENTS (Cont'd)

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Depositor's fund			
Money market	\$ 173,087	\$ -	\$ 173,087
Common stocks			
Consumer discretionary	539,862	539,862	-
Consumer staples	656,754	656,754	-
Energy	318,731	318,731	-
Financials	463,247	463,247	-
Health care	335,605	335,605	-
Industrials	562,095	562,095	-
Information technology	789,694	789,694	-
Materials	161,252	161,252	-
Utilities	126,042	126,042	-
Equity mutual funds			
Diversified emerging markets	517,005	517,005	-
Municipal bonds			
Aa1 quality rating	177,184	-	177,184
A3 quality rating	215,066	-	215,066
Other	1,701,259	-	1,701,259
Corporate bonds - Aaa quality rating	450,212	-	450,212
U.S. government agency securities	131,881	-	131,881
Fixed income mutual funds			
Emerging market debt	2,457,756	2,457,756	-
Floating rate debt	1,241,734	1,241,734	-
International developed debt	756,150	756,150	-
Investment grade debt	5,653,853	5,653,853	-
Alternative mutual funds			
Absolute return funds	1,054,790	1,054,790	-
Fixed income arbitrage funds	413,430	413,430	-
Global macro funds	452,778	452,778	-
	<u>19,349,467</u>	<u>16,500,778</u>	<u>2,848,689</u>

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 – FAIR VALUE MEASUREMENTS (Cont'd)

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Pooled Investments			
Money market	2,451,386	-	2,451,386
Common stocks			
Consumer discretionary	1,662,344	1,662,344	-
Consumer staples	1,951,219	1,951,219	-
Energy	1,082,486	1,082,486	-
Financials	1,429,682	1,429,682	-
Health care	938,799	938,799	-
Industrials	1,791,821	1,791,821	-
Information technology	2,488,387	2,488,387	-
Materials	527,471	527,471	-
Utilities	398,090	398,090	-
Equity mutual funds			
Diversified emerging markets	1,467,182	1,467,182	-
Municipal bonds			
Aaa quality rating	740,487	-	740,487
Aa1 quality rating	550,918	-	550,918
Aa2 quality rating	707,113	-	707,113
Aa3 quality rating	102,373	-	102,373
A1 quality rating	409,811	-	409,811
Other	532,771	-	532,771
U.S. government agency securities	53,848	-	53,848
Fixed income mutual funds			
Emerging market debt	2,201,446	2,201,446	-
Floating rate debt	1,689,593	1,689,593	-
Inflation protected debt	502,597	502,597	-
International developed debt	989,845	989,845	-
Investment grade debt	8,977,040	8,977,040	-
Alternative mutual funds			
Absolute return funds	953,298	953,298	-
Fixed income arbitrage funds	589,183	589,183	-
Global macro funds	594,740	594,740	-
	<u>35,783,930</u>	<u>30,235,223</u>	<u>5,548,707</u>
 Total investments	 <u>\$ 55,133,397</u>	 <u>\$ 46,736,001</u>	 <u>\$ 8,397,396</u>

THE CATHOLIC DIOCESE OF JEFFERSON CITY FUND
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 – FAIR VALUE MEASUREMENTS (Cont'd)

All investments are currently being held at Central Trust and Investment Co in Jefferson City, MO.

NOTE 5 – FUNCTIONAL ALLOCATION OF EXPENSES

The Catholic Diocese of Jefferson City Fund categorizes its expenses as follows:

Program expenses relate to activities that result in interest being distributed to depositors that fulfill the purposes or mission for which the organization exists. The Fund considers all expenses, excluding support services to be program expenses.

Support services relate to the administrative activities that are not identifiable with a single program, but are indispensable to the conduct of those activities and to the Fund's existence.

NOTE 6 – COMMITMENTS

On November 23, 2010, the Board of Trustees approved a resolution authorizing the Fund to enter into an agreement in which the Fund, upon default of any required payments to be made by the Fr. Augustine Tolton Regional Catholic High School, will either purchase the property and facilities of the School at an amount not less than the balance of their bonds or lend to the School an amount not less than the balance of their bonds. The initial principal amount on the School bonds was not to exceed \$7,300,000, and would mature June 15, 2017. The principal balance of the School bonds outstanding at June 30, 2014 was \$6,625,000.